

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 95-134 **DATE PREPARED:** Sep 21 95
STATE AGENCY: State Board of Tax Commissioners **DATE RECEIVED:** Aug 11 95

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Digest of Proposed Rule: This proposal adds 50 IAC 3.2 concerning the assessment of mobile homes on an annual basis and also repeals 50 IAC 3.1. The proposal updates the cost and depreciation schedules for the assessment of mobile homes contained in the current rule 50 IAC 3.1. The update is meant to coincide with the general reassessment on real property which is effective beginning with 1996 tax payments.

IC 6-1.1-7-2 provides that the State Board of Tax Commissioners may adopt rules in order to provide a method for assessing mobile homes.

Governmental Entities:

State: The state would be responsible for additional Property Tax Replacement Credit (PTRC) payments under this rule. Mobile home taxes, like all other property tax levies, are subject to PTRC. As a result of the increased mobile home tax payments described below, the state's PTRC liability would increase by approximately \$2.2 M in CY96, \$2.3 M in CY97, and \$2.3 M in CY98. This translates into an additional liability of \$1.1 M in FY96, \$2.3 M in FY97, and \$2.3 M in FY98.

PTRC is paid from the property tax replacement fund (PTRF). The PTRF is funded by sales and corporate adjusted gross income tax revenue and is supplemented by the general fund each year. Therefore, any additional PTRC payment would ultimately impact the state General Fund.

There are no unfunded mandates placed upon any state agency by this proposed rule.

Local: As explained below, mobile home tax liabilities would increase under this rule. Mobile home tax proceeds would increase by approximately \$15.1 M in CY96, \$15.8 M in CY97, and \$16.4 M in CY98.

Assessments on mobile homes that are not assessed as real estate are not considered part of the certified value that is used to compute tax rates. The revenue from this tax is considered a miscellaneous revenue and may be used to offset shortages in levy collections. The tax rate will not be affected by an increase in mobile home assessed value (AV) so local revenues will increase by the additional mobile home tax amount. This assumes that local units will not reduce regular property tax levies to offset the increase in mobile home tax.

Mobile home tax proceeds are distributed to counties, townships, cities, towns, schools, libraries, and special taxing units in the same proportion as property tax distributions.

There are no unfunded mandates placed upon any political subdivision by this proposed rule.

Regulated Entities: The State Tax Board has estimated that there are approximately 90,000 mobile homes in the state. It is also estimated that there are approximately 20,000 homes of 1970 vintage, 30,000 of 1980 vintage, and 40,000 built around 1990 - present. Using these estimates, a comparison was made in the average AV under the existing and proposed rules for these units. It is estimated that the statewide AV for mobile homes will increase by approximately \$153.4 M under this rule.

The general reassessment of real property will cause the tax rate to decrease in 1996. The 1995 statewide average net property tax rate was \$8.6787 per \$100 AV. Statewide average net property tax rates are estimated at \$8.3893 in 1996, \$8.7830 in 1997, and \$9.1943 in 1998. Using these valuation and tax rate estimates, the net tax liability increase for mobile home owners is approximated as follows:

<u>YEAR</u>	NET TAX <u>OLD RULE</u>	NET TAX <u>PROPOSED RULE</u>		AVG INCR <u>INCREASE</u>	<u>PER HOME</u>
1996	\$21.8 M	\$34.6 M	\$12.9 M	\$143	
1997	22.8 M	36.3 M	13.5 M	150	
1998	23.9 M	38.0 M	14.1 M	157	

The actual increased liability for a particular mobile home may be more or less than the average in the above table, depending on the actual AV of the home and the actual tax rate for that location.

The difference between the mobile home tax increase in the Governmental Entities section (CY96 = \$15.1 M) and the increased liability on the regulated entities (CY96 = \$12.9 M) is equal to the increased state PTRC payments (CY96 = \$2.2 M).

Information Sources: State Board of Tax Commissioners, Jim Hemming (232-3761); Local Government Database.